

JOINT HEARING  
NATURAL RESOURCES AND WATER COMMITTEE AND  
BUDGET AND FISCAL REVIEW SUBCOMMITTEE NO. 2  
RESOURCES, ENVIRONMENTAL PROTECTION AND  
ENERGY

KUEHL, Chair  
February 15, 2004  
9:30 am – Room 112

INFORMATIONAL HEARING

SUBJECT: Oversight of CALFED Financing Plan: Policy and Fiscal Issues

AGENDA

I. Opening Comments

II. Overview of CalFed Finance Plan

Patrick Wright, *Executive Director, California Bay-Delta Authority*  
Kate Hansel, *Assistant Director for Policy and Finance, California Bay-Delta Authority*

III. Perspectives on the Plan:

Jonas Minton and Mindy McIntyre, *Planning and Conservation League*  
Barry Nelson, *Senior Policy Analyst, Natural Resources Defense Council*  
Dante Nomellini, *General Manager and Co-Counsel, Central Delta Water Agency*

IV. Perspectives on User Fees and State Funding Options for the Ecosystem Program

Timothy H. Quinn, *Vice President of State Water Project Resources, Metropolitan Water District of Southern California*  
Randy Kanouse, *Special Assistant to the General Manager, East Bay Municipal Utility District*  
David Guy, *Executive Director, Northern California Water Association*  
Ed Manning, *City of San Diego*

V. Public Comment

VI. Closing Comments

**Joint Hearing**  
**Natural Resources and Water Committee and**  
**Budget and Fiscal Review Subcommittee No. 2 Resources,**  
**Environmental Protection and Energy**  
**February 15, 2005**

**Overview of CALFED Finance Plan**

**Background**

- The CALFED Bay-Delta Program is the largest and most comprehensive water management and ecosystem restoration program in the nation.
- The Bay-Delta is the hub of State's water system:
  - Drinking Water for 22 Million Californians
  - 750 Plant & Animal Species
  - 80% of the State's Commercial Salmon Fisheries
  - \$27 Billion Agricultural Industry
  - California's Trillion Dollar Economy

**CALFED Program Area**



## CALFED Mission



- CALFED brings together 25 state and federal agencies to work cooperatively with local and regional interests to resolve often competing demands for California's water supply.
- In 2000, the agencies drafted a 30 year plan described in the CALFED Record of Decision (ROD)
- In 2003, SB 1653 established a new oversight entity; the California Bay-Delta Authority
- In 2004, Congress provided Federal authorization for the CALFED Program until 2010; authorizes \$389 mill. for those portions of the CALFED Program not currently authorized

### **Reasons for the CALFED Finance Plan**

- Significant drop in available funding starting in 2005-06
- Can't continue status quo level of reliance on public funding and bonds
- ROD required benefits-based finance plan
- Need comprehensive finance plan

### **Finance Plan Process**

- 2 year process; began in late 2003
- Technical team & Independent Review Panel
- Extensive public meetings
- Result = Finance Plan based on best available information on program objectives, costs, benefits and beneficiaries to implement the CALFED ROD

### **Finance Plan Status**

- Bay-Delta Authority approved Finance Plan 12/04  
[http://calwater.ca.gov/FinancePlanning/CBDA\\_Final\\_Finance\\_Plan\\_1-23-05.pdf](http://calwater.ca.gov/FinancePlanning/CBDA_Final_Finance_Plan_1-23-05.pdf)
- Adopted Plan as framework to guide financing of the Program & directed BDA to continue working with agencies, stakeholders, the Legislature & Congress on refining details of the Plan
- Governor's January Budget for FY 2005-06 endorsed the CALFED Finance Plan as a framework; directs BDA to develop a financing plan for to be incorporated in the Governor's May revision

## Analytical Process

### 1. *Objectives:*

Describe Program objectives, tasks/projects, and schedule

### 2. *Funding Targets:*

Estimate total cost to reach program objective; develop reasonable funding targets not constrained by available funding

### 3. *Beneficiaries*

Identify all potential beneficiaries (e.g. general public, water users, commercial fishing, boaters)

### 4. *Benefits:*

Describe and quantify if possible program / project benefits

### 5. *Cost Allocation*

Allocate project and program costs among beneficiaries

### 6. *Potential Capital Projects*

Cost allocations are not proposed for projects where implementation is unlikely or the beneficiaries are not known at this time because feasibility is not complete (\$8 billion)

10-Year Funding Allocations by Beneficiary (\$ in millions)						
Program Element	Funding Target	State	Federal	Water Users	Local Match	Total Funding
Ecosystem Restoration	\$1,500	\$542	\$408	\$400	\$150	\$1,500
Environmental Water Account	\$438	\$180	\$135	\$123		\$438
Water Use Efficiency	\$3,153	\$575	\$530		\$2,048	\$3,153
Water Transfers	\$6	\$6				\$6
Watershed	\$423	\$196	\$161		\$66	\$423
Water Quality	\$276	\$81	\$72	\$17	\$105	\$276
Levees	\$446	\$186	\$175	\$32	\$53	\$446
Storage	\$1,087	\$292	\$36	\$9	\$750	\$1,087
Conveyance	\$185	\$109	\$6	\$71		\$185
Science	\$437	\$167	\$151	\$108	\$11	\$437
Oversight & Coordination	\$121	\$75	\$46			\$121
<b>TOTAL Dollars</b>	<b>\$8,073</b>	<b>\$2,408</b>	<b>\$1,722</b>	<b>\$760</b>	<b>\$3,183</b>	<b>\$8,073</b>
<b>TOTAL Percentage</b>	<b>100%</b>	<b>30%</b>	<b>21%</b>	<b>9%</b>	<b>40%</b>	<b>100%</b>

## Major Finance Plan Themes

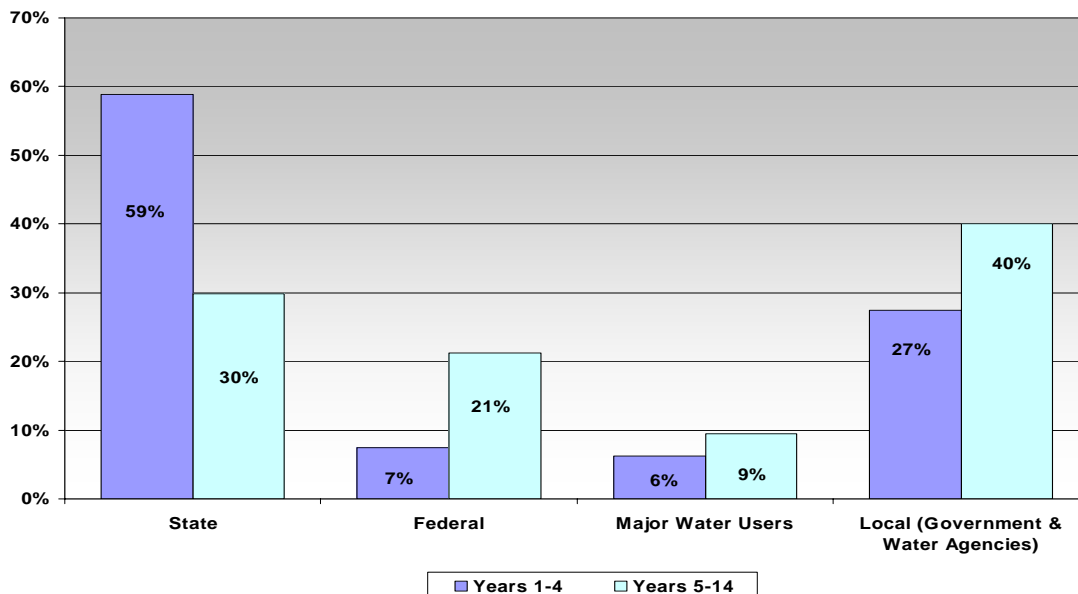
- Reduces funding targets by 36%

Over 10 years the average annual target reduced

ROD	\$1.26 bill.
Finance Plan	\$807 mill.
Difference	-\$451 mill. (-36%)

- Identifies available funding (\$1.7 bill) vs unmet needs (\$6.3 bill)
- Adopts 11 principles to guide benefits financing
- Pushes the benefits-based approach; sharpens the criteria for public funds
- Adopts a framework to seek funding from all beneficiaries

### **CALFED Bay-Delta Program Summary of Proposed Cost Allocations**



## **Finance Plan Key Elements**

<b>Beneficiary</b>	<b>Options</b>	<b>Purpose</b>	<b>Amounts</b>
State	Seek annual General Fund, GO bonds and/or new revenue source from water charges	Fund programs with broad public benefits	CALFED total = \$2.4 bill (30%) Needed = \$1.5 bill
Federal	Seek increased Federal Appropriations		Total = \$1.7 bill (21%) Needed = \$1.7 bill
Major Water Users	Establish fees /charges /reimbursements	Fund programs with water user benefits: ERP 30% EWA 50% Levees 15% Science 25%	Total = \$760 mill (9%) Needed = \$535 mill
Local	Require local grant matching funds	Provide local match for projects with local benefits	Total = \$3.2 bill (40%) Needed 2.6 bill

## **Ecosystem Restoration Program --Water User Fee**

**Purpose:** Support water user benefits from Ecosystem Restoration Program

**Water User Revenue Target** – Additional \$25 million annually

### **Options**

1. Water Diversions
2. Reservoir Storage Capacity
3. Combination Diversions & Storage

### **Estimated Fee:**

Approximately \$1.00 - \$5.50 per AF

Significantly less than current Restoration Fund (\$8.00 - \$15.00/ AF)

### **Issues**

- Who pays and how much
- Ensuring payment is linked to benefits received
- Water Users want additional regulatory assurances

### **Existing Regulatory Assurances**

Fishery Agencies provide annual regulatory commitments under ESA to DWR and USBR which ensures south of Delta exporters will not have supply reduced **IF** three tiers of assets are in place:

Tier 1 -- Baseline protection

Tier 2 -- ERP & Environmental Water Account funding

Tier 3 -- Additional resources if needed



## **State Public Funding for the CALFED Bay-Delta Program**

### **Purpose:**

- Support broad State/public benefits of the CALFED Program
- Public benefits are associated with all the Program Elements of the Program but vary based on benefits assessment

**Revenue Target:** \$165 mill annually

### **Options**

1. General Fund annual appropriations
2. New GO bonds
3. New revenue sources – possible charge on M&I customer bills

### **Estimated Water Charge if Proposed:**

Approximately \$1- \$2 per month per connection = \$200 mill annually

### **Next Steps**

- Federal appropriations requests FY 2006 and 2007
- Continue discussion with Legislature, Agencies, and public on the water user contributions, assurances & State funding options
- April BDA /BDPAC public meeting
- May Revise Proposal